



BIG WEST OF CALIFORNIA, LLC
A FLYING J Company

6451 Rosedale Highway • Bakersfield, CA 93308 • Phone 661.326.4200 • www.flyingj.com

Certified Mail

7008 0150 0003 8066 8857

January 6, 2008

Mr. Gerardo Rios

US Environmental Protection Agency, Region 9

75 Hawthorne Street

Mail Code: AIR-3

San Francisco, CA 94105

Subject: **Big West of California – Clean Fuels Project – Overview of Air Permitting History – Bakersfield Refinery**

Dear Gerardo:

In response to your request during our meeting in November, I am writing to provide a summary of the permitting history of the Big West of California (Big West) Bakersfield Refinery. Specifically, as part of our discussions regarding the cancellation of the PSD permit for the Clean Fuels Project, EPA Region 9 staff asked Big West to:

- Confirm that there are no PSD permits that must be modified or amended to support Alternative D; and
- Provide a history of the permits supporting construction of the Big West Bakersfield Refinery.

As stated in our letter to you dated December 4, 2008 regarding PSD avoidance for Alternative D, Alternative D will allow the Bakersfield Refinery to process 25,000 bbls of gas oil into final product. This project will include construction of the following new units:

- 30,000 barrel per day (BPD) Vacuum Gas Oil Hydro Desulfurization Unit, with associated 35 and 47 MMBtu/hr heaters (VGO HDS)
- 641 MMBtu/hr Hydrogen Unit (HGU2)
- 120 MMBtu/hr Hydrocracker Unit (HCU)
- 1,200 BPD Sour Water Ammonia to Ammonium ThioSulfate Unit (SWAATS)
- LPG Merox Treatment Unit
- Ground flare with flare gas recovery
- 15,000 gallon/minute process cooling tower
- Three 525 hp emergency diesel-powered firewater pumps

Construction and operation of Alternative D will have no effect on emissions from existing combustion units within Areas 1 and 2 and Area 3, and will therefore not require modification of permits for such units. The permitting history of the Bakersfield Refinery is outlined below.

The Bakersfield Refinery consists of two stationary sources:

- SS-33, which consists of emission units in Areas 1 and 2, which include the crude/vacuum units, intermediate processing units, hydrogen plant, wastewater, storage, loading, and utilities. As discussed further below, Area 1 and Area 2 operations were joined in 1986 when Texaco USA, who operated Area 1, purchased Tosco's operations, which are now referred to as Area 2.
- SS-34, which consists of emission units in Area 3, which consists primarily of the delayed coking unit, wastewater treatment, storage and utilities. As discussed further below, Area 3 was constructed by the Independent Valley Energy Company (IVEC). This facility was purchased by Texaco USA in 1987 and tied into Areas 1 and 2.

Areas 1, 2, and Area 3 have operated as the Bakersfield Refinery since 1987, when it was owned by Texaco USA. In 1998, Equilon LLC was formed as a joint partnership between Shell and Texaco and continued to operate the Bakersfield Refinery. In 2003, Shell Oil Products US became the sole owner of the Bakersfield Refinery. In May, 2005, Flying J Inc. purchased the Bakersfield Refinery from Shell, and formed Big West of California who now owns and operates the refinery. A more detailed history of Area 1, 2 and Area 3 is provided below.

Area 1 was originally constructed by the Mohawk Petroleum Company and began operation in the 1930s. In 1975, the Area 1 operations were purchased by the Reserve Oil & Gas Company, and continued to operate as the Mohawk Petroleum Company. On November 22, 1976, EPA issued preconstruction approval NSR 4-4-8, SJ 76-22 to support the expansion and modernization of the Mohawk refining operations within Area 1. EPA issued this permit, as the Kern County Air Pollution Control District did not have an approved New Source Review (NSR) permit program. The EPA preconstruction permit was later amended on July 27, 1977 and again on January 20, 1978. In 1979, Kern County Air Pollution Control District adopted an NSR rule, which was conditionally approved by the US EPA. The Kern County APCD subsequently reviewed and issued permits for other modifications to Area 1 operations. In 1980, Getty Refining and Marketing Company purchased the Mohawk Refinery. From 1982 to 1984, Getty Oil representatives met with EPA Region 9 staff (David Howecamp, Matt Haber, Bob Baker, and Robert Bergstrom, Esq.) on several occasions to review whether Getty Oil was required to modify SJ 76-22 to reflect preconstruction approvals issued by Kern County APCD for the Mohawk modernization program. On June 22, 1984, EPA proposed modification to SJ 76-22 to incorporate new and modified provisions relative to the Mohawk modernization program, which Getty Oil objected to, arguing that Kern County APCD was given authority to implement the NSR program, and subsequent NSR permits issued by the District superseded EPA's original permit. Based on our review of our files and additional discussions with Laura Yannayon of your staff, it appears that EPA never moved forward with the June 22, 1984 proposed modifications, and all subsequent permitting activity has been conducted by the local air district.

Mr. Gerardo Rios

January 6, 2009

Page 3

Area 2 was originally constructed by Bankline and began operation in the 1930's. In 1959 it was purchased by Signal Oil. In 1970 it was purchased by Tosco. Area 2 operations were merged with Area 1 in 1986 when Texaco USA purchased Tosco's operations.

Area 3 was originally constructed by the Independent Valley Energy Company (IVEC) in 1980 based on pre-construction approvals obtained from both Kern County APCD and from EPA Region 9 (See NSR 4-4-8, SJ 78-77). The original EPA permit was issued on January 10, 1979, and subsequently modified four times in 1982. The unit began operation in 1982. We understand from discussions with Laura Yannayon of your staff that EPA has additional permits that have been issued for operations within Area 3, including SJ 74-02; SJ76-16; SJ78-26 and SJ78-77. Our review of the permit files for Area 3 did not reveal any documentation regarding these permit actions. However, as indicated above, the Clean Fuels Project, Alternative D will have no effect on stationary emission sources within Area 3, and therefore it will not be necessary to modify these permits to reflect Alternative D.

US EPA has exercised extensive enforcement oversight over the Bakersfield Refinery, which has included Section 114 investigations and under EPA's Petroleum Refinery Initiative. In the mid 1990s, EPA Region 9 issued a number of Section 114 requests to confirm compliance of Clean Fuel projects with EPA regulations, including preconstruction review and New Source Performance Standards (NSPS). In addition to the Section 114 inquiries, the Bakersfield Refinery was subject to a multimedia compliance investigation that was directed by EPA's National Enforcement Investigations Center, which was finalized in late 1995. Texaco settled all claims that derived from these investigations.

Separately, and as part of EPA's Petroleum Refinery Compliance Initiative, US EPA issued complaints against Equilon under the Clean Air Act for failure to comply with EPA PSD/NSR preconstruction review requirements, New Source Performance Standards (NSPS), and National Emission Standards for Hazardous Air Pollutants (NESHAPs) that apply to its refining operations, including the Bakersfield Refinery. Equilon was one of the first refineries to resolve these civil suits through execution of two consent decrees (see Section XIV, Paragraph 68(a) and Section XV, Paragraph 184), which were entered into among Motiva Enterprises, LLC, Equilon Enterprises LLC, Deerpark Refining Limited Partnership, US EPA, and state enforcement agencies on August 20, 2001 (US District Court for the Southern District of Texas, Houston Division). Under these consent decrees, EPA released the Bakersfield Refinery and other facilities from liability under PSD and NSR and various NSPS/NESHAPs requirements, as identified in complaints filed against Equilon et al.

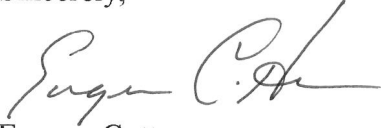
Mr. Gerardo Rios

January 6, 2009

Page 4

If you have any questions regarding this summary or other data provided herein, please contact Mr. Bill Chadick (661.326.4412) or Mr. Everard Ashworth at ALG (805.764.6017).

Sincerely,

A handwritten signature in black ink, appearing to read "Eugene Cotten". The signature is fluid and cursive, with a large initial "E" and a stylized "C".

Eugene Cotten

Vice President Refining

Refinery Manager

Big West of California, LLC

Enclosures

cc: Ms. Laura Yannayon, US EPA
Mr. Leonard Scandura, SJVAPCD

File: 725,402

V:\ehs\pri\cfp\PSD\1-6-09 ltr Rios PSD Permit History